

General Information Letter: Error in the Equivalency Chart for Iowa noted.

March 3, 2003

Dear:

This is in response to your telephone inquiry of February 28, 2003, in which you request a letter ruling. The nature of your request and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), which may be found on the Department's web site at www.revenue.state.il.us.

In your inquiry, you noted that the "Equivalency Chart for Border States" posted on the Department's web site provides that, in computing income double-taxed by Iowa and Illinois, the taxpayer should add back to his or her Iowa "net income" on Line 26 of the Iowa Form IA 1040 any retirement income that is included on Lines 8, 9 or 13, even though some of that income is already excluded from net income on Line 26 as the result of the exclusion for pension income on Line 21. You believe this is incorrect.

Response

Under 86 Ill. Admin. Code Section 100.2197(b)(4)(B), most retirement income must be excluded from double-taxed income because Illinois does not tax that income. The correct method of applying this principle to the computation of double-taxed income that begins with Iowa "net income" on Line 26 of the Iowa Form IA 1040 would require the taxpayer to add back only retirement income shown on Lines 8, 9 or 13 net of any exclusion shown on Line 21 and the exclusion for military retirement pay shown on Line 24. Accordingly, the Equivalency Chart for Border States should direct the taxpayer to subtract from the amount on Form IA 1040, Line 26, any retirement income shown on Form IA 1040, Lines 8, 9 or 13, and to add back any amount deducted on Form IA 1040, Line 21 and any military retirement pay deducted on Form IA 1040, Line 24.

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b). If you have any further questions, you may contact me at (217) 782-7055.

Sincerely,

Paul S. Caselton
Deputy General Counsel – Income Tax